

**FINANCE COMMITTEE
JUNE 10, 2013 AT 6:25 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderpersons Moore, R. Stroik, O'Meara and M. Stroik

EXCUSED: Alderperson Slowinski

ALSO

PRESENT: Mayor Halverson; City Attorney Beveridge; C/T Ladick; Clerk Moe; Ald. Wiza, Trzebiatowski, Suomi, Patton, Phillips, Doxtator; Directors Ostrowski, Schrader, Schatschneider, McGinty; Human Resource Manager Jakusz; Supt of Maintenance Laidlaw; Asst. Police Chief Zenner; Fire Chief Kujawa; Deputy C/T Freeberg; Tricia Church; Kelley Pazdernik; Brandi Makuski; Chris Jones; Gene Kemmeter; Larry Lee; Nate Enwald; Barb Jacob; Mildred Neville; Mary Ann Laszewski; Ray Shuda; Tom Deppiesse; Nate Zuelke; Jamie Immerfall; Sarah Wallace; Bernice Sevenich; Susan Kudronowicz; Deborah Hall; Wayne Bushman; Steve Louis

ITEM #1 – AUTHORIZING THE EXECUTION OF DEVELOPMENT AGREEMENT WITH WOUND ZOOM INC.

Director Ostrowski stated that Wound Zoom Inc is currently located in Colorado and will be relocating here. They make devices that are similar to a smart phone or digital camera that helps scan wounds to determine the severity of them. The principals of this agreement include that the business would be located at 4848 Industrial Park Road, which is the former Journal Printing. The City would provide a TIF grant in the amount of \$40,000 and Wound Zoom would relocate its business operations from Colorado to Stevens Point and they would agree to employ not less than 40 employees within a three year time frame.

Ald. R. Stroik questioned if the \$40,000 is equal to what they are expecting the land to cost. Director Ostrowski answered it would be relocation costs. They would not be purchasing the building, they would be leasing where they will be located.

Ald. R. Stroik questioned if the \$40,000 is secured or guaranteed. Director Ostrowski stated it has a full guarantee for payment.

Motion made by Ald. R. Stroik, seconded by Ald. O'Meara to authorize the execution of Development Agreement with Wound Zoom, Inc.

Ayes: All

Nays: None

Motion carried.

ITEM #2 – AUTHORIZING THE EXECUTION OF DEVELOPMENT AGREEMENT WITH SERVICE COLD STORAGE, LLC.

Director Ostrowski stated this is a development that would be in the newly developed TID 9, occupying about 20 acres in the northern end of the Portage County Business Park, south of the railroad tracks and north of EM Copps and west of County Road R. The City would provide them with a TIF grant of \$477,619. Service Cold Storage would construct an approximately 160,000 square foot freezer warehouse facility within 24 months with anticipated cost of construction to be approximately \$14,500,000 for the building but by the time they add some internal items, it will be much more than that. The development would have an assessed value of not less than \$10 million. The security for the City costs would be in the form of three separate liens on the property, in a senior position to any bank liens. When they meet certain stages within the development, the City would release the liens, one at 25%, 50% and upon final construction of the building. The three liens would be on the land, which would be the security for the project.

Anticipated tax revenue on \$10 million in increment would be about \$246,000, so two full years of tax increment would pay for the cost of the TIF grant. The grant would be used for some of the land costs as well as some of the engineering costs. The facility would create about 25 new jobs and relocate about 10 jobs from the Bancroft area.

Ald. R. Stroik questioned if this land is currently held by the City or it is a mutual agreement that we would buy it from Portage County. Director Ostrowski replied that the land is held under an option to buy by the City, the City would transfer their option to the developer and the developer would purchase the land directly from Portage County.

Ald. R. Stroik questioned if the \$477,619 is for land acquisition. Director Ostrowski replied it is for land and development (engineering costs for site plan work). R. Stroik then clarified that even though we do not own the land, we put it in the TID. Director Ostrowski replied yes, that portion of the Business Park is located within a TID as well as the entire East Park Commerce Center.

Ald. Trzebiatowski stated he had a few concerns. One being the difference between \$477,000 and the previous TIF incentive as far as jobs go and secondly, do we have any surety that this is going to be passed by the County and the members that have to approve this. He would like to see some sort of contingency upon approval of the County or other associations. C/T Ladick replied that it looks like a big difference in the amount of the incentives, but the first project is not a new construction. It is someone locating to an existing building so there is some opportunity to generate some tax increment because of personal property but not as much with the real property. The second project with TID 9 is a new building so that will generate a more significant amount of increment. The City estimated that it will generate enough increment to repay the \$477,619 within two years. Director Ostrowski also stated that the TID grant would not be released until they have secured all their necessary approvals and financing. They would have to prove investor financing. The Joint Review Board has disbanded, so all development agreements would go through the Finance Committee and Common Council.

Ald. R. Stroik questioned the way the security is being done, by having three separate liens, he questioned if we are we fronting them the \$477,619, to begin the construction. He would like assurance that they do break ground and not spend the money beforehand and not have it to break ground. Director Ostrowski stated the money would not be released until all the investments have been made by the investors. We would be holding the three separate liens on the property and they would have to purchase the property from Portage County and we would then release the money to purchase the land, which is about \$412,000.

Mayor Halverson stated the only exposure we will have is relating to the reimbursement on the actual site plan dollars, which is about \$69,000.

Ald. R. Stroik stated in past agreements we obtained a security interest in other property of the investors. He questioned if there is a way we can get a guarantee from the investors that says if it is not built within two years we would have an option to go after personal accounts. Director Ostrowski replied not on this development. Mayor Halverson also replied he does not think we would have to being that the amount of protection that we have is almost dollar for dollar in terms of the real estate itself.

Ald. M. Stroik questioned if there was any environmental concerns with a construction like this as far as chemicals. Director Ostrowski stated the only one they would use with cold storage would be ammonia.

Motion made by Ald. O'Meara, seconded by Ald. M. Stroik to approve the execution of the development agreement with Service Cold Storage, LLC.

Ayes: All

Nays: None

Motion carried.

ITEM #3 – UPDATE ON COSTS RELATING TO JOINT DISPATCH.

C/T Ladick gave an update on what the expenses are looking like for joint dispatch. He stated that we owe the County \$127,000 for our share of the capital expenses for the dispatch center. We budgeted \$85,000 in capital expenses for improvements to our dispatch center that we will not need, so that will bring the amount that we need down to \$52,000, which we will budget for in 2014. He also gave an update on approximately how much it will cost to transfer sick leave, paying out holiday, vacation and overtime. As of right now, that amount is about \$53,600, which may change by August. Those expenses have already been approved in the agreement.

ITEM #4 – UPDATE ON CITY SHARE OF COURTHOUSE EXPENSES.

C/T Ladick gave an update on the courthouse expenses. We have an agreement with the County that we pay 41% of all the expenses of the Courthouse/City Hall building, which we are billed for quarterly. The County made a number of mistakes in the billing process and their accounting and as a result of that, a lot of 2012 expenses did not get allocated correctly. The budget line item was \$43,000 under budget in 2012 and because of that, the budget line item got trimmed back in 2013. We are now being billed for the problems in 2012, which will make us over budget by about \$75,000 in 2013. He stated that will be offset by under spending other parts of the budget. Last year, we under spent our budget by \$662,000 by various department heads not spending every line item.

Ald. R. Stroik questioned if these charges are mutually talked about prior to repairs or maintenance because if so, they should not have made a mistake in under billing us. Mayor Halverson replied these are operating costs. C/T Ladick also stated that our experience with the County has been that there is not sufficient communication in regards to including us in decisions or what is going on. It was an issue that former C/T Schlice had talked to him about.

Mayor Halverson stated it is very frustrating because we have no voice, even with owning 27% of the building. The amount of money now spent, in excess of \$300,000 for utilities and staffing for that building, would be cut in half by moving to the Mid-State building.

C/T Ladick stated he did go through all the expenses and asked quite a few questions of the County to try to understand what was going on.

Ald. R. Stroik questioned if we could change the agreement or at least ask them for less surprises going forward. Mayor Halverson replied this was an accounting error, so an unforeseen issue. There were some issues with a capital project that we shared and was referenced, that actually distorted some of these operating dollars which is what made this problem.

C/T Ladick also stated they do include us in the bigger items, just not the smaller items, under \$10,000.

ITEM #5 – 1ST QUARTER ROOM TAX REPORT.

C/T Ladick stated the funds are doing well, with two of them having a slight deficit. The deficit is made up for in the strength of the other room tax dollars.

Motion made by Ald. O'Meara, seconded by Ald. R. Stroik to approve the 1st quarter room tax report and place it on file.

Ayes: All

Nays: None

Motion carried.

ITEM #6 – APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. R. Stroik, seconded by Ald. O'Meara to approve the payment of claims in the amount of \$5,183,569.72.

Ayes: All

Nays: None

Motion carried.

ITEM #7 – DISCUSSION ON AMENDING TAX INCREMENTAL DISTRICT 6 (DOWNTOWN).

C/T Ladick stated we are looking at possibly amending TID 6 to include Edgewater, the Vetter property and some other areas. The TID is struggling and has a deficit of about \$750,000 a year, which is money that he has to give TID 6 as an inter fund loan so that it can continue to make its debt payments. He explained what the effects of selling Edgewater would be by stating currently we do get a payment in lieu of taxes (PILOT) from Edgewater that comes directly to the City in the amount of approximately \$30,000. If Edgewater is put into the TID, by our estimates, it would get about \$36,000. If it was sold and not put into the TID, we would not get the full increment; we would only get the 40% share from property taxes, which would be about \$14,000-\$15,000. It would be a significant loss to the City if we did sell it and not include it in the TID.

Director Ostrowski stated this discussion goes back to January when approval was made to start the amendment process. He stated in his memo at that time he did not want to proceed with the amendment process until we had a better picture and understanding of what we would be doing with Edgewater Manor. As of today, the Plan Commission has recommended approval for the CDA to sell Edgewater Manor. They have an offer from Affordable Housing of Central Wisconsin for about \$1.55 million for the building with the agreement that 80% of the building would remain senior for a period of no less than 10 years. The rents would remain stable for the first three years and then would allow for a 1% increase thereafter. The CDA has authorized us to start the negotiation process with the developer so that is the agreement that will be in front of the CDA tomorrow. There is a larger picture with TID 6 that includes not only Edgewater but also the former Vetter building. He went over the costs of the Edgewater Manor project that were included in the packet as well as a summary of the options regarding putting Edgewater in the TID or not. The PILOT payment that Edgewater currently pays is calculated by the total rents collected minus utilities times 10%. If that property is sold and put in a TID, with an estimated assessed value of about \$1.5 million, it would generate approximately \$37,000 less the pilot, \$54,000 in the black if we would invest the funds from the \$1.55 million dollars at 3%. Not putting that property in the TID, it would generate about \$14,760, With the total benefit realized by both the City and CDA of \$30,000. There is a significant difference if the CDA and the City decide to sell Edgewater and put it in the TID or not. The Vetter property is an area that was identified back in 2005-2006, in our comprehensive plan, as one of the redevelopment areas for the City. This amendment would allow us to capture that area, which would mean Edgewater would need to be included due to the need to keep the District contiguous to the Vetter building. He stated he heard the comments back when we first starting talking about amending it that we did not need to include the Vetter building because it already sold at auction at a drastically reduced price. This area is a challenged area and any costs associated with that property will be very large. It has been brought back to see what direction the Committee wants to take. The cost of the amendment process with hiring Ehlers is \$10,000 - \$11,000, so before we proceed with public hearings and the paperwork, he asked for guidance on how to proceed.

Ald. R. Stroik questioned why we would not put New Page into the TID. We only have two amendments left, so what is the incentive for not having New Page in the boundary rather than including some homes. Director Ostrowski replied the problem would be if New Page would close or the property gets reduced in assessed value, it would significantly change the projections for that TID.

Mayor Halverson commented that historically we have had a difficult relationship with the Department of Revenue and the way in which they value industrial property as we do not get a chance to assess in manufacturing properties. The state has given us aggressive assessment reductions as they tend to use industrial and manufacturing assessments for economic development by lowering taxes, resulting in higher profit and making it easier for the company to succeed. The danger is when we look at the threat to an already challenged TID. We want to bring in as many possible projects that need assistance that can also have the highest likelihood of success for added increment.

Director Ostrowski commented that by adjusting the boundaries does not mean we are providing any incentive to any developer at this time. Any development agreement or incentive that is given by the City would need to come back to the Finance Committee and Common Council for approval.

Ald. R. Stroik also questioned why we do not make this a new TID, why does it need to be tied to TID 6. He would rather see it be made into its own TID rather than include it in TID 6 because if it is put into TID 6, now we have \$1.5 million of increment you can write off and now we are not losing as much money in TID 6, but we are not going to make any money on a new TID because it is not there.

Mayor Halverson stated that in this TID we have about \$7 million worth of debt associated with about a \$47 million base value. If we have the 21 years that we can get as aggressive as possible with and expand this out into areas that can be highly inflating in terms of value, the chances are higher that the TID could be solvent in the long run rather than just creating a small TID for one project. The biggest danger does not even revolve around this district, but rather the kind of capital outlay that we could potentially lose out on in TID 7, 8 or 9 because we may have to take any added increment or extra increment that we have, declare TID 6 distressed and take the increment out of those districts to subsidize the loss we have from this one. If we do not do that, the taxpayers are going to have to write a very big check to the other taxing jurisdictions for the increment that did not develop over that period of time. It is much more advantageous to the City to amend this district in the most practical way that will give us some added increment. He does not see any other large amendments that would materialize in this area.

Ald. Moore stated that he would like documentation as to how many amendments we have left in TID 6 because he thought we only had one left and now they are being told there are two. Director Ostrowski replied there have been two territory amendments already and we are allowed 4, but he will get the information for him.

Ald. R. Stroik questioned if Edgewater was not there, would we still be recommending that we amend this TID to include the Vetter site. Director Ostrowski stated that he would include it in TID 6 to help pay the debt service.

City Attorney Beveridge commented on amending TID 6 versus creating a new TID. He stated that creating a new TIF is going to be a longer process, more complicated and more expensive and it is very likely that the time frame would jeopardize our chances of getting Edgewater into the TID at a starting value of zero, so there could not be any increment at all.

C/T Ladick reminded everyone that Director Ostrowski was looking for guidance and encouraged everyone to speak up and let their feelings on the issue be heard.

Director Ostrowski stated the magical date is September 30, 2013. If the district is amended after that date, they look at base value as of January 1, 2014. If it is amended before that date, January 1, 2013 is the date. If Edgewater were to sell within the next month or two, there would be a base value for 2014.

Mary Ann Laszewski, 1209 Wisconsin Street, stated she found this to be very informative, helpful and reinforces what she has been hearing since January. She is convinced that Edgewater has been put up for sale in order to bail out the downtown TID. The Dunham property, Lullabye site, Portesi site, Eagle Plumbing site, etc. that were bought are not producing at this time, so they now moved to the other side of town. She believes the downtown needs to stand on its own. She does not want to see affordable senior housing given up.

Adjournment at 7:18 p.m.